

WATER/DON/RAJ:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4334
May 16, 2002**

R E S O L U T I O N

**(RES. W-4334), ARROWHEAD MANOR WATER COMPANY,
INC. (AMWC). ORDER AUTHORIZING AN OFFSET RATE
INCREASE OF \$40,668 OR 14.3% IN ADDITIONAL REVENUE
DUE TO CONTRACT WORK AND PURCHASED WATER
COSTS.**

SUMMARY

By Advice Letter 47-W, filed January 28, 2002, AMWC seeks to increase rates by \$40,668 or 14.3% to cover expenses incurred in contract work and purchased water costs. The increase will not result in a rate of return greater than last authorized for AMWC.

BACKGROUND

AMWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to adjust rates to offset the increase in its contract work and purchased water costs.

The present rates of AMWC became effective on February 11, 2001, pursuant to Decision No. (D.) 00-07-036, which authorized a general rate increase of \$132,638 or 87.6%, and a rate of return of 0.00%.

AMWC is requesting recovery of \$40,668 through a one-time surcharge of \$72.62 per customer for the under collection of contract work and purchased water memorandum accounts as authorized in D.00-07-036.

NOTICE AND PROTESTS

Notice of the proposed surcharge was mailed to each customer on March 14, 2002. A total of 8 letters were received from customers in protest to this proposed surcharge. Almost all of the letters expressed concern over this surcharge increase. One protest letter was received from the attorney representing a customer with an ongoing service problem. The Commission's Consumer Affairs Branch is handling this matter on File Number 01061318.

DISCUSSION

D.00-07-036, dated July 20, 2000, which authorized an interim general rate increase of 87.6%, authorized AMWC to establish and maintain a purchased water memorandum account and a contract repair work memorandum account to track actual purchased water and contract work expenditures beginning with the effective date of the increased rate authorized in D.00-07-036. In addition, D.00-07-036 authorized AMWC to file advice letters by January 31 and July 31 each year seeking Commission approval for a customer billing surcharge or surcredit to collect or refund the accumulated amounts by which its actual, reasonable purchased water and contract repair work expenses in the memorandum accounts as of the preceding December 31 or June 30 deviate from the currently authorized amounts. In this advice letter, AMWC requests a one-time surcharge of \$72.62 per customer to recover a total of \$40,668 recorded in the purchased water and contract repair work memorandum accounts from July 1, 2001 through December 31, 2001, which exceeded the amounts currently authorized for purchased water and contract repair work over the same time period. The Water Division staff (Division) has reviewed AMWC's filing and finds its request to be reasonable.

Since AMWC has both flat rate and metered customers, AMWC is requesting recovery of the contract work and the purchased water be applied to the customers through a one-time surcharge. Division has no objection.

AMWC's Summary of Earnings, submitted with this advice letter, indicates AMWC is earning a negative rate of return. D.00-037-036 authorized AMWC a rate of return of zero percent. AMWC is not over earning its authorized rate of

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return. This rate increase will not result in a return greater than that previously authorized.

FINDINGS

1. The Commission finds, after investigation by the Water Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Arrowhead Manor Water Company is authorized, five days after the effective date herein, to make effective the revised rate Schedules Nos.1A, Annual Metered Service, and 2RA, Annual Residential Flat Rate Service, attached to Advice Letter 47-W, authorizing a one-time \$72.62 surcharge, continuing existing approved rates, and to concurrently cancel the presently effective rates.
2. Arrowhead Manor Water Company, Inc. is directed to maintain a balancing account as required by Public Utilities Code Section 792.5 and memorandum accounts as required by Decision 00-07-036.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 16, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director